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September 12, 2008

VIA HAND DELIVERY

Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

**RE: The 2008 Joint Integrated Resource Plan of Louisville Gas and Electric
Company and Kentucky Utilities Company**
Case No. 2008-00148

Dear Ms. Stumbo:

Enclosed please find and accept for filing the original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Response to Second Public Comments of Geoffrey M. Young in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions please contact me at your convenience.

Yours very truly,

W. Duncan Crosby III

WDC:ec
Enclosures
cc: Parties of Record

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 2008 JOINT INTEGRATED)	
RESOURCE PLAN OF LOUISVILLE)	
GAS AND ELECTRIC COMPANY AND)	CASE NO. 2008-00148
KENTUCKY UTILITIES COMPANY)	

**RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY TO
SECOND PUBLIC COMMENT OF GEOFFREY M. YOUNG**

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively “LG&E/KU” or the “Companies”) respectfully submit this response to the Second Public Comment of Geoffrey M. Young (“Young Comments”).

I. The Companies’ Integrated Resource Planning Process Continues to Improve to Serve Better Their Customers and Service Territory.

The Companies appreciate the compliments Mr. Young pays to their improved Integrated Resource Planning (“IRP”) processes in the first section of his Comments, noting, for example, “The Companies’ load-shifting DSM [Demand-Side Management] programs ... have always been good, and the programs have continued to improve and expand over time as the Companies have steadily gained experience with the technology and market.”¹ As Mr. Young and the Commission know, the Companies’ IRP mandate is to meet future energy requirements within their service territory at the lowest possible cost consistent with reliable supply. This is no small feat: the Companies serve more than 914,000 electricity customers via a transmission and distribution network covering some 27,000 square miles, and have a joint net summer generation capacity of 7,519 megawatts (MW).² The Companies’ generation fleet contains coal, gas, oil,

¹ Young Comments at 2.

² Companies’ 2008 IRP at 5-1.

and hydro units to supply energy to their customers, which range from residential customers to major industrial customers. In addition to meeting their customers' needs with their own generating fleet, the Companies make economic power purchases, and have DSM and energy efficiency ("DSM/EE") programs in place to help reduce demand.

To ensure reliable and low-cost energy supply to their customers, the Companies have an ongoing resource planning process that is dynamic and continues to evolve to use state-of-the-art techniques and models, as well as timely and pertinent information. Part of the continuing improvement of the Companies' IRP process is due to the comments of Commission Staff and others, including those who supply public comments; however, certain of Mr. Young's comments require further comment and response from the Companies, which is below.

II. The Companies Conduct Their Initial Qualitative Screening Process for DSM/EE Programs with Considerable Professional Expertise and Knowledge.

Contrary to Mr. Young's assertion, the Companies' current qualitative screening process, as described in Volume III of their 2008 Integrated Resource Plan, Tab-DSM Screening Analysis, Exhibit DSM-2, is more than "a group of staff people ... giv[ing] their subjective opinions about whether various DSM ideas are likely to meet the four qualitative screening criteria" ³ The team assembled to perform the initial qualitative screening process is a group of seasoned professionals with years of experience in the DSM/EE field. The team also has access to quantitative data about a variety of programs that various entities have implemented across the country. The team uses its experience and knowledge in qualitatively evaluating various potential DSM/EE programs for further quantitative analysis. Indeed, part of the Companies' DSM/EE team's responsibility is to "collect[], assess[], and refin[e] data about DSM

³ Young Comments at 3.

programs that have proven successful in other states.”⁴ Moreover, these professionals know the particular characteristics of the Companies’ service territory and customers that have made certain kinds of DSM/EE programs more successful in the Companies’ service territory and others less so. Therefore, the Companies’ qualitative analysis of potential DSM/EE programs is not in any way haphazard or purely subjective, but rather draws on considerable collective knowledge and expertise.

III. Though the Companies’ Industrial Customers Have Not Expressed Interest in DSM/EE Programs to Date, the Companies Will Continue to Consider the Customer Interest in, and the Cost Effectiveness of, Such Programs.

The Companies’ past experience with industrial DSM and energy efficiency programs has indicated that the majority of industrial customers are not interested in such programs, largely because they already invest heavily in energy efficiency measures of their own. For example, in 2001, the Companies received approval for an Industrial Lighting Program as part of their DSM plan. The Companies contacted approximately 900 LG&E and KU industrial customers to explain the proposed program and the “opt-out” provision of KRS 278.285(3). Approximately 68% of the Industrial customers elected to “opt-out” and approximately 24% did not respond to the inquiry. Based on these results, the Companies canceled the proposed program.⁵ The Companies will nevertheless continue to consider such programs and offer them when it will be cost-effective for both the Companies and their customers to do so.

⁴ Young Comments at 3.

⁵ See *In the Matter of: An Investigation of the Energy and Regulatory Issues in Section 50 of Kentucky's 2007 Energy Act*, Admin. Case No. 2007-00477, KU/LG&E Response to Second Data Request of Commission Staff No. 36 (Jan. 16, 2008).

IV. The Companies Examine a Wide Range of Generation Options of Various Sizes in Their IRP Process, and Already Have Net Metering Tariffs Available to Customers.

Mr. Young suggests in his comments that the Companies should study and incorporate into their resource planning the concepts contained in the book, Small Is Profitable.⁶ Whatever may be gleaned from the book, the Companies cannot take one author's opinion on the value of distributed generation to be dispositive; rather, as the Companies have consistently done in their resource planning, they must investigate potential generation, transmission, and distribution options of various sizes to determine the most reasonable low-cost solutions to meet their customers' needs. In their 2008 IRP, the Companies examined potential installed generation options ranging from 30 kW to 817 MW, as well as possible purchased power options, in addition to DSM/EE programs.

Furthermore, concerning distributed generation ("DG"), the Companies already have in place net metering, load reduction incentive, and qualifying facilities tariffs.⁷ Recent statutory changes have increased the availability of net metering tariffs to potential customer-generators, mandating that such tariffs be available to customer-generators using solar, wind, biomass or biogas, or hydro energy. A customer-generator may now take advantage of the Companies' net metering tariff so long as the customer's generating facilities have a rated capacity of not greater than thirty kilowatts. The Companies' qualifying facilities and load reduction incentive tariffs are available to customers with generating facilities that are not wholly renewable or have capacities greater than thirty kilowatts. It remains to be seen, however, whether these statutory changes affect whether it is true that "small is profitable;" to date, few customers have taken service under the Companies' net metering tariffs.

⁶ Young Comments at 5-6.

⁷ See Louisville Gas and Electric Company, Original Sheet Nos. 40, 41, 48, and 58, P.S.C. of Ky. Electric No. 6; Kentucky Utilities Company, Original Sheet Nos. 45, 46, 48, and 58, P.S.C. of Ky. No. 13.

V. The Companies Will Continue to Consult the DSM Advisory Group and Welcome the Participation of All Interested Parties Through Public Comment, Though Full Intervention Should Be Limited to Those Who Meet the Appropriate Regulatory Criteria.

As they have when crafting their past IRPs, the Companies solicited input from the DSM Advisory Group regarding the DSM screening process. The Companies stated at page 8-114 of Volume I of their 2008 IRP: “The Companies invited members of the DSM Advisory Group to submit proposals for DSM options to be analyzed.” The Companies will continue to consult with the DSM Advisory Group.

In addition to consulting with the DSM Advisory Group, the Companies welcome the participation of interested members of the public through public comment in the Companies’ Commission proceedings, but the Companies do oppose the full intervention of persons or entities that do not meet the regulatory requirements for full intervention. Mr. Young misconstrues the Companies’ intent and actions when he says that the Companies “should also change their bad habit of filing pro-forma objections to the intervention of serious environmentalists in future PSC cases that have implications for the environment.”⁸ As Mr. Young is now aware, the Commission and the Kentucky Court of Appeals, in an unpublished recent opinion, have made it clear that the Commission’s jurisdiction does not extend to environmental issues.⁹ Therefore, the Companies will continue to oppose the full intervention of those, including environmentalists, who “do not have a special interest in the proceeding which is not otherwise adequately represented” or who are not likely “to present issues or to develop

⁸ Young Comments at 6.

⁹ See *In the Matter of The 2008 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2008-00148, Order at 5 (July 18, 2008) (“Notably absent from the Commission’s jurisdiction are environmental concerns, which are the responsibility of other agencies within Kentucky state government ...”); *EnviroPower, LLC v. Public Service Commission of Kentucky*, 2007 WL 289328 at 3 (Ky. App. 2007) (not to be published) (The PSC’s exercise of discretion in determining permissive intervention is, of course, not unlimited. First, there is the statutory limitation under KRS 278.040(2) that the person seeking intervention must have an interest in the “rates” or “service” of a utility, since those are the only two subjects under the jurisdiction of the PSC.) (emphasis added).

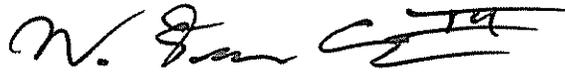
facts that assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings[.]”¹⁰

VI. Conclusion

The Companies respectfully submit the foregoing comments in response to the Young Comments, agreeing with him that the Companies’ IRP processes continue to improve and that more progress will be made. To that end, the Companies will continue to consult with the DSM Advisory Group. Furthermore, the Companies already have in place net metering, load reduction incentive, and qualifying facilities tariffs for customers interested in self-generating. Finally, though the Companies welcome the constructive participation of members of the public through public comments in the Companies’ Commission proceedings, they will continue to oppose the full intervention of persons who do not meet the requirements of 807 KAR 5:001 §3(8)(b).

Dated: September 12, 2008

Respectfully submitted,



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¹⁰ 807 KAR 5:001 §3(8)(b).

CERTIFICATE OF SERVICE

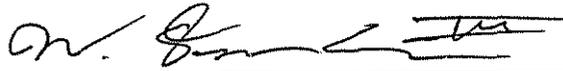
The undersigned hereby certifies that a true and correct copy of the foregoing was served on the following persons on the 12th day of September, 2008, by United States mail, postage prepaid:

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